

PRESS RELEASE

NH INSURANCE DEPARTMENT

21 South Fruit St, Suite 14, Concord, NH 03301 – 603-271-2261 – www.nh.gov/insurance

For Immediate Release

Media Contact:

Kent Dover
Kent.Dover@ins.nh.gov
603-271-2261
603-271-1406 - FAX

Sevigny Announces Multi-State Settlement Concerning Insurance Sales to Members of US Military

Concord, NH - August 3, 2006 - Insurance Commissioner Roger Sevigny announced today participation in a multi-state Settlement agreement resolving allegations of improper sales practices in the sale of life insurance products to members of the United States military. Under the agreement, 92,000 consumers nationwide, including 70,000 service members, will receive cash or other benefits totaling \$70 million. Commissioner Sevigny stated “Although we are pleased to report that none of the subject policies were sold in New Hampshire, we have joined in the settlement to ensure that New Hampshire service men and women stationed elsewhere will benefit from the settlement, either by receiving cash refunds or by the prospective benefit of halting these practices in future sales.”

Sevigny said the settlement is the result of a collaborative effort between a number of states and the US Department of Justice and the US Securities and Exchange Commission. A 20-month joint investigation into the sales practices of American-Amicable Life Insurance Company of Texas; Pioneer American Insurance Company; and Pioneer Security Life Insurance Company, all based in Waco, Texas, resulted in the settlement announced today. The state regulators and federal agencies claim that the marketing practices targeted young recruits and misled them into believing they were buying an investment product when in fact they were buying an expensive term life product that was coupled with a side fund and styled the “Wealth Builder” or “Horizon Life.”

Nearly all of the soldiers already had up to \$250,000 in low cost term life insurance provided and partially subsidized by the federal government through the Servicemembers’ Group Life Insurance Program. In settling the matter, the companies denied violating any state insurance or consumer protection laws. To date, 42 states, the District of Columbia and Guam have signed on to the agreement.

Concurrently with the multi-state settlement, Patrick L. Meehan, the United States Attorney for the Eastern District of Pennsylvania, and the U.S. Securities and Exchange Commission announced separate settlements that provide relief common to that afforded in the multi-state agreement.

Under the settlement arrangement the companies have agreed:

- To make cash payments totaling \$10 million to former and current service members who were issued a “Horizon Life” policy from January 1, 2000 through July 28, 2006. Approximately 57,000 service members nationwide are eligible to receive this relief.
- To increase the cash surrender value (CSV) for all in force “Horizon Life” and “Wealth Builder” policies regardless of when the policy was issued or military status. Approximately 53,000 current policyholders will receive this benefit. The total settlement, including the increased policy benefits, is valued at approximately \$70 million.

In addition to economic relief, the companies have agreed, among other things, to:

- Stop soliciting or selling any insurance product on a military installation for five years.
- Stop selling the Horizon Life product after December 1, 2006.
- Immediately terminate any agent discovered selling company products on a military installation.
- Not accept any insurance application for Army enlisted personnel with the rank of E-1 through E-3, without proof the applicant has been counseled by a superior officer as required by Army regulations.
- Not possess, complete, submit, process or assist in the submission or processing of any DD form 2558 (Authorization to Start, Stop or Change Allotment).
- Not establish any account or fictitious account in the name of its applicant/insured service member at a depository institution for the purpose of receiving funds for the payment of premium or use Treasury Form 1199A (Direct Deposit Sign Up).
- Not offer any gift with a value greater than \$5 to any individual who has direct command authority over service members who rank between E-1 and E-4.
- Not participate in or assist with any class, seminar or other training for service members occurring on a military base, installation or reservation.

The settlement agreement can be found at www.tdi.state.tx.us. Consumers who have questions regarding the settlement can call the companies’ Consumer Service Center at 1-800-736-7311.

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ABOUT THE NH INSURANCE DEPARTMENT

The first insurance regulator in the US, the NH Insurance Department was created in 1851 and charged with enforcing and administering New Hampshire’s insurance laws. The department, an agency of the executive branch of New Hampshire state government, conducts safety and soundness and market conduct examinations of licensees, licenses insurance companies and insurance producers, reviews premium rates and policy forms, provides assistance, information and referral services to New Hampshire insurance consumers, and administers the filing and collection of New Hampshire’s insurance premium tax. For more information, visit the Insurance Department’s web site at: www.nh.gov/insurance.